

The complaint

Mr H complains that when he applied for a new Buy To Let mortgage, HSBC UK Bank Plc refused, but wouldn't tell him why. Mr H said this was deeply concerning, and he didn't think there was any reason here for HSBC to withhold this information.

What happened

Mr H told us that he had rented out his former home, when he moved house many years ago. For reasons I don't need to set out here, he hadn't ended up selling it as he planned, and it remained rented out.

The property was subject to an interest-only mortgage with HSBC. It appears to have been left on a residential mortgage, rather than moved to a buy to let ("BTL") mortgage. In late 2024, Mr H contacted HSBC, because the mortgage was due to end in December 2024.

Mr H said he was repeatedly reassured that, because he had applied for a new BTL mortgage with a five year term before the end of this mortgage, he would not face any difficulties if his existing mortgage ended before this new mortgage was in place. Mr H said that wasn't the case, a separate part of HSBC threatened to ruin his credit rating if he didn't pay the old mortgage off in full, before the new mortgage was in place. Mr H said he had to complain before HSBC agreed to extend his pre-existing mortgage by a month. Mr H said HSBC didn't apologise.

Mr H said HSBC carried out a valuation of the property, and he was told everything was approved, barring some paperwork he had to submit. Mr H sent HSBC the documentation it wanted, so he was then very surprised to be turned down for the BTL mortgage.

Mr H said the letter he received turning him down for a BTL mortgage said that he'd been refused following credit and fraud checks. Mr H said he was extremely worried by this, but on examining his credit file, he couldn't see anything which might be a cause for concern. And this didn't fit with what he'd previously been told about everything having been approved on his mortgage, barring some paperwork he'd then sent in.

Mr H said he then asked HSBC, repeatedly, why his mortgage had been refused. But he said HSBC flatly refused, repeatedly, to tell Mr H what the reason was. HSBC would only say it was confidential and commercially sensitive. Mr H said this only increased his concerns. It meant he had no way of knowing whether he'd also be refused for any lending elsewhere in future. Mr H said worrying about this had impacted his health. And he said he had no time left to pursue alternative mortgage options, he would have to raise the funds to clear the mortgage from his own resources.

Mr H has complained, and received a formal complaint response. HSBC has maintained that it is unable to tell Mr H the reason that he was turned down for lending. So Mr H asked us to look into things.

Our investigator said he thought when HSBC asked Mr H to supply further documentation to finalise his mortgage offer, on 28 November, that was a mistake. HSBC already knew

enough then to decide the property Mr H wanted to remortgage wasn't suitable security for a mortgage. The valuation HSBC received said Mr H's rented property was being operated as a commercial business, as various staff were present within the property as well as machinery and extensive stock. That meant the property would be outside HSBC's lending criteria for this sort of mortgage, intended for residential properties. But Mr H wasn't told his mortgage had been declined until HSBC wrote to him on 9 December.

Our investigator said the letter sent to Mr H, which said his mortgage was refused due to information received from credit reference and fraud prevention agencies, was wrong. Our investigator thought someone might have selected the wrong templated letter to confirm the general reason for the decline.

Our investigator said he thought HSBC had followed its own processes, and hadn't acted unfairly in declining Mr H's mortgage, or in refusing to give the exact reason for that decision. He said HSBC should have been clearer on 28 and 29 November, when it told Mr H only some paperwork was outstanding, but he didn't think that impacted the main complaint issues. Our investigator didn't think this complaint should be upheld.

Mr H objected quite strongly to this conclusion. He didn't believe that HSBC was at any risk of commercial harm, from simply telling him why it had made this decision. And he said if this reason really was sensitive, then our investigator wouldn't have included it in his view. Mr H said our investigator had also commented on mistakes that HSBC made, but didn't hold it responsible for those.

Because no agreement was reached, this case was then passed to me for a final decision. And I then reached my provisional decision on this case.

My provisional decision

I issued a provisional decision on this complaint and explained why I did propose to uphold it. This is what I said then:

As background, Mr H bought this property with a residential mortgage, but moved out some time ago, and has been renting it out ever since. Mr H doesn't ever seem to have been moved onto a BTL mortgage. Although the property was let it remained on a residential mortgage. I should say that there's no question that Mr H failed to notify HSBC of his intentions. HSBC itself has shared with us his written notification to it that he intended to rent out his property, sent to it many years ago.

So in late 2024, Mr H was coming to the end of an interest-only residential mortgage, and felt he didn't want to pay that mortgage off just yet. He applied for a new BTL mortgage, for a term of five years, to allow him to keep renting the property out.

That application was, as Mr H accepted in discussions with HSBC, made rather late in the day. I'll return to the impact of this below, but for now I note that I can hear on both his pre-mortgage discussion call and his mortgage application call, that Mr H was reassured he wouldn't be required to repay his existing mortgage, while this application was in progress.

Mr H has told us that turned out not to be the case. Mr H had to complain, to get HSBC to extend his mortgage. Mr H noted the lack of any apology here.

I've seen the complaint response letter that was sent to Mr H about this, and HSBC doesn't appear to have accepted that it made a mistake here, providing Mr H with reassurances that it didn't then follow through on. It does look as if HSBC had made a

mistake here, so I think it would have been preferable if HSBC had accepted that, and had apologised.

Mr H's property was valued, and on 28 November, HSBC received a valuation report which said the property was being used for commercial purposes. I do not question HSBC's decision to refuse a mortgage on this basis. But HSBC didn't reach that decision until a little later. I think it should have been clear to HSBC as soon as it got the valuation that it would not grant a mortgage designed for a residential property to Mr H, given what his property was being used for at the time.

HSBC didn't tell Mr H of its decision not to lend on 28 November. Instead, it indicated that all but a final hurdle had been overcome. So instead of putting some alternative arrangements in place to manage the end of his pre-existing mortgage, Mr H was instead sourcing paperwork to get over the final hurdle. However, on 9 December, HSBC then wrote to refuse lending. I think this could have been done on 28 or 29 November.

When HSBC wrote to Mr H, it told him it had refused his mortgage. And it also said that it had reviewed information from credit reference and fraud prevention agencies as part of the process. This may just have been a standard letter, but it left Mr H deeply concerned that HSBC may have uncovered something he was unaware of.

Mr H checked his credit file, and found nothing of concern. He wanted to know why HSBC wouldn't lend on this property. HSBC said it wouldn't tell him, because this was confidential and commercially sensitive. I haven't been able to see that this was justified, in the circumstances of this particular case.

I think it's relevant that Mr H had set out, to HSBC's agent, how he understood the property was being used. And that same agent felt she was then not able to tell Mr H of HSBC's concerns that it was being used very differently. I know HSBC, and its agent, was following its own policies here, but I haven't been able to see why, in this case, telling Mr H that HSBC wouldn't offer a mortgage for residential property, when it had concerns the property wasn't being used for residential purposes, was something HSBC had reason to withhold from him.

It's relevant to note that what HSBC had found out would have wider implications for Mr H, not just affecting his prospects of getting other lending, but also potentially affecting his lease on what are presumably leasehold premises. My current view is that here, HSBC should have told Mr H, at least in broad terms, why it wasn't lending to him. I think refusing to say anything at all about this, here, was a mistake.

Amongst the calls I have listened to, is the call where Mr H asked a series of questions about the reasons his mortgage had been turned down. And although HSBC continued to refuse to confirm the reason throughout that call, it does seem that by the end of this call, Mr H had worked out, broadly speaking, what was wrong. I think the damage here was, fortunately, limited, because of that. But I don't think this should have been necessary.

My provisional conclusions above set out that I do think HSBC made mistakes here. For these reasons, I think this complaint should be upheld. But I should also set out here that the impact of those mistakes has to be set in context.

Part of the context here, is that Mr H made his application for a new BTL mortgage rather late. I have not seen any evidence that he spoke to HSBC before 4 November, to explore alternatives to paying off a mortgage which was due to be paid in full on 1

December 2024. I think Mr H was always likely to have found difficulties in securing a new BTL mortgage for this property, because of the concerns uncovered by the valuation. And I think the timing of when Mr H started to put new arrangements for this lending in place would then always have caused problems with resolving those concerns, before his pre-existing mortgage was due to be repaid. So I can't say that this impact is something HSBC is responsible for.

Another part of the context is that Mr H had considerable personal resources at his disposal. The impact here may have been much worse, otherwise.

And a final issue to take into account is that I do think that, although Mr H doesn't appear to have had confirmation of why his mortgage was refused until the complaint came to our service, I do think he'd realised the broad source of the problems when talking to HSBC's agent on 10 December 2024, so was able to start addressing those problems then.

Although the impact of HSBC's mistakes here have been somewhat mitigated by the above, I still think that Mr H has found this matter very upsetting, and he said the resulting stress has affected his health. I can understand why this would have been deeply frustrating for Mr H, and have shaken his faith in a bank that he has had a long relationship with. So I do think HSBC should do more now than to simply apologise for that. I think it should, instead, pay Mr H the sum of £600 in compensation, for the issues I've set out above. My provisional decision is that this would provide a fair and reasonable outcome in this case.

I invited the parties to make any final points, if they wanted, before issuing my final decision. Both sides replied.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

HSBC sent our service a response that it said was confidential. However, a number of the points raised have already been discussed in my provisional decision, or will require a response in order to deal fully with this complaint. I have therefore responded to those issues below.

HSBC said it didn't have any records of Mr H living at the property. However, the mortgage application Mr H made to HSBC in 2010, for his current home, gave this property as his home address at that time. HSBC itself has sent us this document. I think it's reasonable to assume that the financial checks HSBC would have carried out on Mr H, in order to make a mortgage offer to him then, would have included satisfying itself that this was, in fact, Mr H's residential address. So I think it's likely that HSBC has previously concluded Mr H did live at this property in the past.

HSBC also noted that Mr H's mortgage had remained a residential mortgage, after he moved out of the property and let it. However, HSBC has already shared with our service a letter Mr H sent at the time, expressing his intention to rent out this property. I don't think that, once Mr H had notified HSBC that he planned to rent the property out, Mr H then carries the primary responsibility for ensuring that his borrowing matches his intended usage of the property as a residential rental property.

Moving to more recent events, there is no dispute that when a valuer commissioned by HSBC visited, Mr H's former home was being used for commercial purposes. For those

reasons, I don't question HSBC's decision not to offer a residential buy to let mortgage on this property.

HSBC asserts that it would not have been able to decline the application on 28 November 2024, when the valuation was received. But it didn't simply refer this matter for checks then, it also wrote to Mr H to ask for further documentation. And the following day, 29 November, it felt able to tell Mr H that *"...the case has been approved by the underwriters, so it is just the [documentation] we need for the valuation team to accept."*

It is difficult to accept HSBC's assertion that it could not have communicated accurately with Mr H, on 28 November. As this property was so clearly outside of the criteria for a residential buy to let mortgage, I think Mr H could have been told then that HSBC would not lend to him.

My provisional decision sets out that I thought HSBC made a mistake, in this particular case, by not telling Mr H the reasons for its decision. In response, HSBC simply asserts that the valuation is only for HSBC's purposes. That doesn't explain why HSBC would not share information with Mr H, which might mean his property insurance was not valid, or put the very leasehold itself in doubt. I continue to think that in this case, HSBC should have shared the information it had about the usage of the property, with Mr H, at the earliest possible opportunity. And I still think that was 28 November 2024.

Mr H also wrote to take issue with aspects of my decision. He said he was pleased his complaint had been upheld, but felt it was wrong to take as mitigation, that he was in the fortunate position of having the personal resources to pay the mortgage. Mr H said I'd reached that conclusion with no knowledge of what other purpose those funds were earmarked for which then had to be postponed.

Mr H also said that he didn't realise our service applied different tiers of justice, depending on how well off a complainant was. He said all should be equal before the law, and he thought I needed to confirm that.

Mr H said that similarly, I had penalised him for intelligence and persistence in asking a series of questions to try and understand why HSBC unreasonably refused to inform him of the serious reason for refusing lending. Mr H said he'd been forced to guess. He said he was then also forced to start the process of evicting his tenant for improper use of the property, which was costly and still ongoing. Mr H asked if it would have made a difference if he'd not guessed correctly. He didn't think that guessing right should count as mitigation for HSBC.

For those reasons, Mr H said that the £600 compensation proposed didn't come anywhere near satisfactory for the stress, health impacts and ongoing hassle HSBC has caused. He wanted me to reconsider.

I don't think there's anything in my provisional decision above, to suggest that our service distinguishes between complainants on the basis of their economic status, when deciding whether a complaint should be upheld. Here, I looked at what both Mr H and HSBC had done, and decided this complaint should be upheld. I still think that.

The decisions I then need to make on redress, are not about punishing HSBC. And it's not simply an assessment of how poor HSBC's service has been. I am required to consider *"...all the circumstances of the case."* One of those circumstances, here, was that when Mr H found he couldn't borrow the money he wanted, he was able to pay off this mortgage, as he fortunately has considerable personal resources. I am not able to compensate Mr H on a different, or hypothetical, basis. I could consider the impact on Mr H of needing to use the money in this way, if he wanted to tell our service about this, but I note he has chosen not to do so here.

Mr H also said that he felt he'd been penalised for guessing correctly what the problem was. Again, I have to consider all of the circumstances, and here, one of those was that the impact of what I consider was HSBC's mistake, not telling him about the misuse of his property, was significantly mitigated for Mr H, because he guessed at the problem, and HSBC's agent then unintentionally confirmed this for him. And again, I cannot compensate Mr H on a different or hypothetical basis.

For all of the above reasons, I haven't changed my mind in this case. I still think a compensation payment of £600 to Mr H provides a fair and reasonable outcome to this complaint. I'll now make the decision I originally proposed.

My final decision

My final decision is that HSBC UK Bank Plc must pay Mr H £600 in compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 15 May 2025.

Esther Absalom-Gough
Ombudsman